

## Meeting of the Board of Governors

4.00 pm on Thursday, 21 May 2020  
via MS Teams

### Supplement: for information

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## Appendix 3

KPMG financial benchmarking analysis

(for information only)



# Higher Education Financial Statements Benchmarking

**London South Bank University**

-  
2018/19



# Introduction

As part of the audit service KPMG provides to our Higher Education Institution (HEI) clients, we undertake an annual financial statements benchmarking exercise across our UK HE client base. 89 institutions with revenues ranging from approximately £3 million up to £2.5 billion have been included in our analysis.

This report is structured as follows:

- Introduction – this introduction outlines the approach we have adopted in preparing the analysis;
- Trends – for certain key financial measures illustrating some general movements in resources across the sector; and
- Institutional financial measures – measures analysing the financial position of individual HEIs, split between post-1992 institutions and pre-1992 institutions.

We note the shape of some of the financial performance of these institutions will change significantly over the 12 months to the 31 July 2020 given the unprecedented circumstances in the UK and globally with regards to COVID-19. Furthermore the outcome of these institutions response to world events, may not be seen fully in financial results until 2020-21. We anticipate COVID-19 will have a pervasive impact on income, expenditure, cash, borrowings, pensions valuations and ability of institutions to invest in their future, etc.

## Basis of report preparation

The attached charts are based wholly on data taken from the audited financial statements for the year ended 31 July 2019 of our UK HEI clients.

Where there are gaps in the data this is due to either the measure being zero or, in some cases, the information being presented in a slightly different manner which prevents fair and objective comparison.

A number of institutions have expressed a preference to remain anonymous and have been identified as such on the charts (for example, Institution A).

This report is provided solely for the benefit of the management and governors of the institution concerned. KPMG will not accept responsibility to any other party to whom this report may be shown or who may acquire a copy of this report.

# Financial measures

**Trends:** Trend analysis for certain key financial measures illustrating general movements in resources across the sector :

1. Operating surplus as % of total income - *we have taken operating surplus to be surplus before other gains and losses (ie before surplus/deficit on disposal of fixed assets, gains/losses on investments, tax and share of surplus/deficit of joint ventures and associates)*
2. Tuition fee income as a % of total income
3. External borrowings as % of total income
4. Operating cash inflow as a % of total income

**Institutional financial measures:** The following measures have been calculated for each participating HEI:

## ***Income Measures***

Measure 1: Sources of income by % – post 1992 Institutions

Measure 2: Total comprehensive income as % of total income

Measure 3: Surplus/deficit before other gains/losses as % of total income

Measure 4. Movement in surplus/(deficit) before other gains/losses as a % of total income

Measure 5: Total of Non-EU tuition fees

Measure 6: Non-EU tuition fees as a % of tuition fees & education contract income

Measure 7: % change in Non-EU tuition fees year on year

Measure 8: % change in research income year on year

# Financial measures

## **Staff costs measures**

Measure 9: Staff costs as a % of total income – *(Excluding one-off impact of agreement of USS deficit recovery plan)*

Measure 10: Pay Multiples

## **Balance Sheet and Cash Flow Measures**

Measure 11: Cash flow from operating activities as a % of income

Measure 12: Current ratio

Measure 13: Cash and current asset investments (£m)

Measure 14: External borrowing as a % of total income – *including bank loans, other loans and overdrafts and finance leases*

Measure 15: Capital expenditure (£m) – *cash expended to acquire tangible fixed assets as per the notes to the cash flow statement.*

Measure 16: Fixed asset capitalisation threshold (£'000)

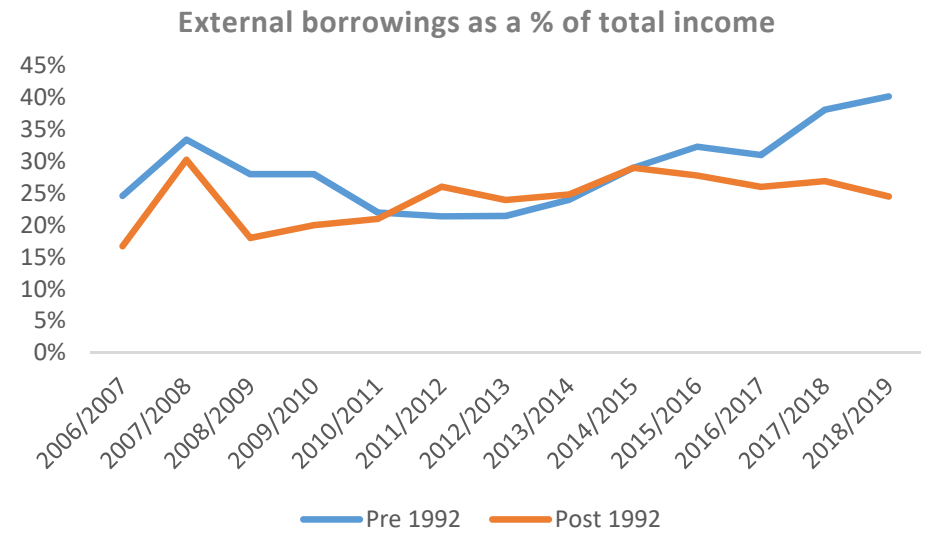
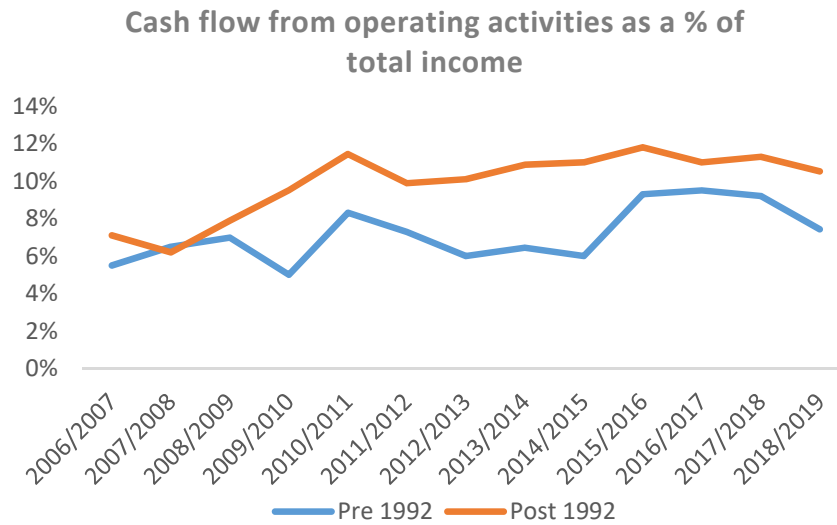
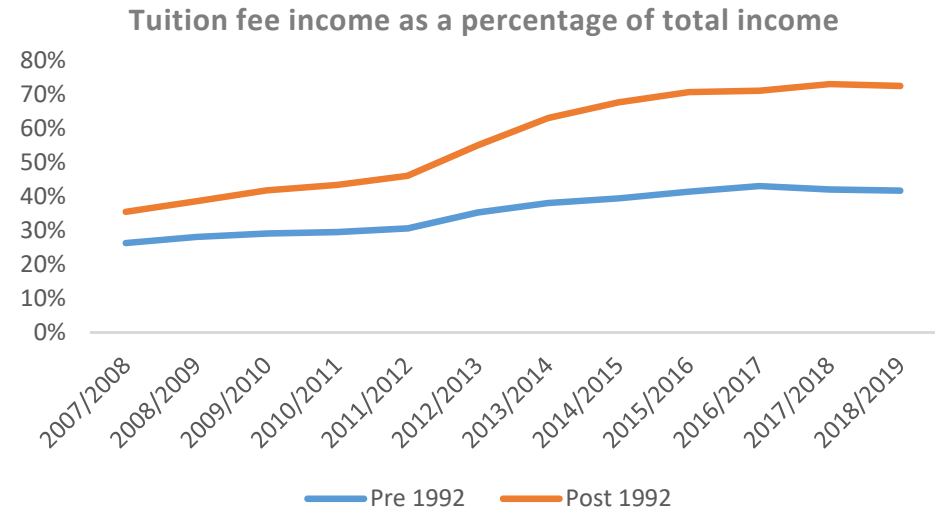
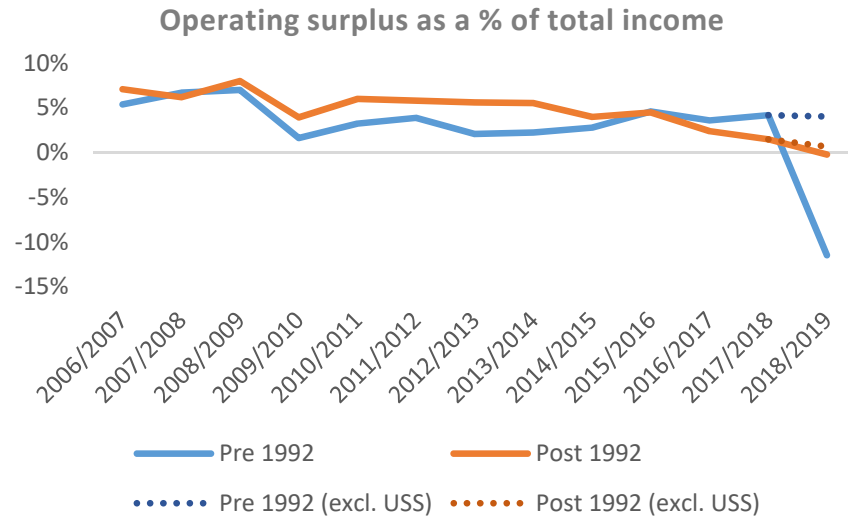
## **Pension Measures**

Measure 17: Total pension deficit (£'000) – *including liability relating to USS deficit recovery plan*

Measure 18: LGPS/Own pension scheme asset/deficit (£'000)

Measure 19: LGPS/Own pension scheme contribution rate (%)

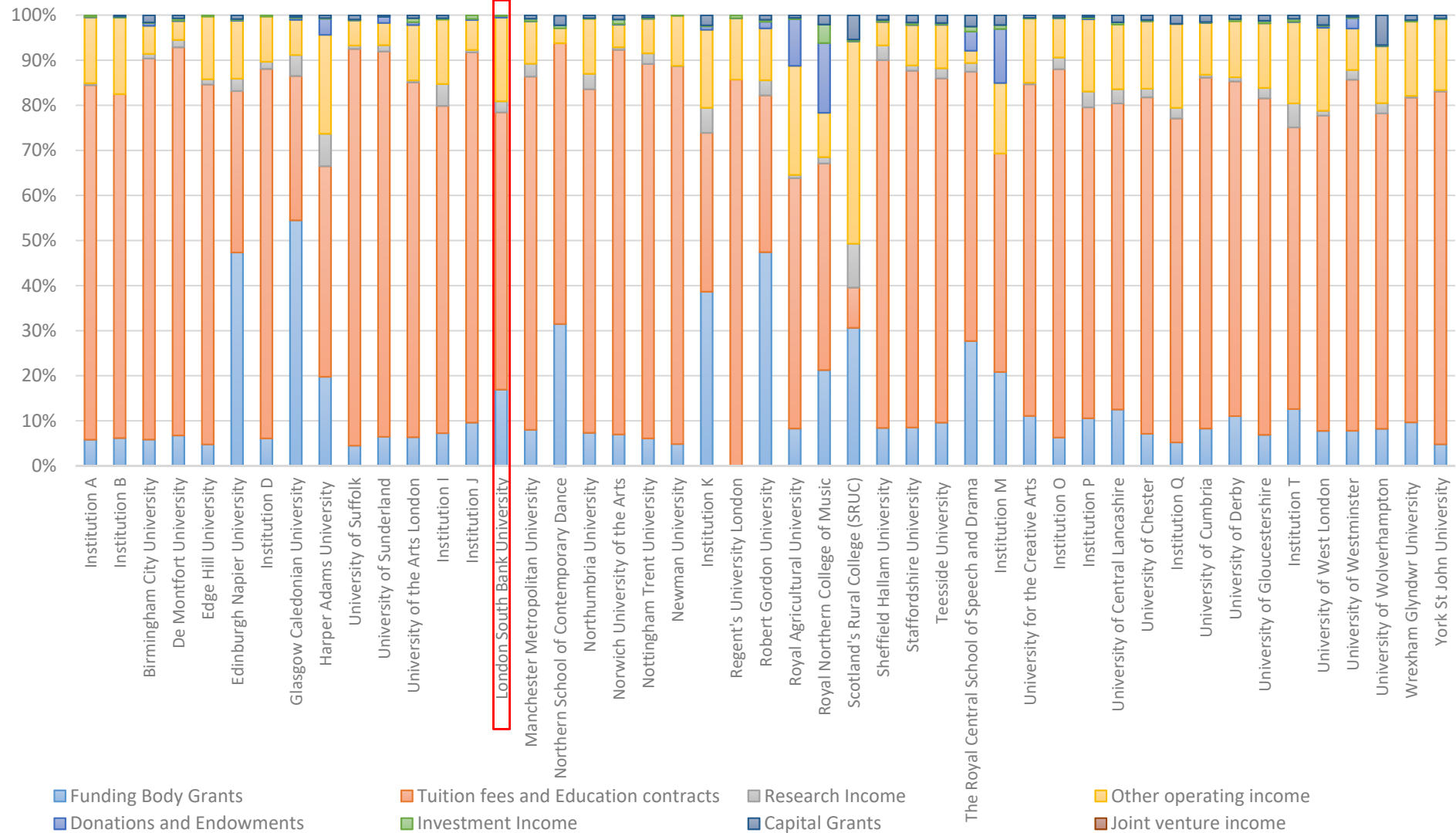
# Trends





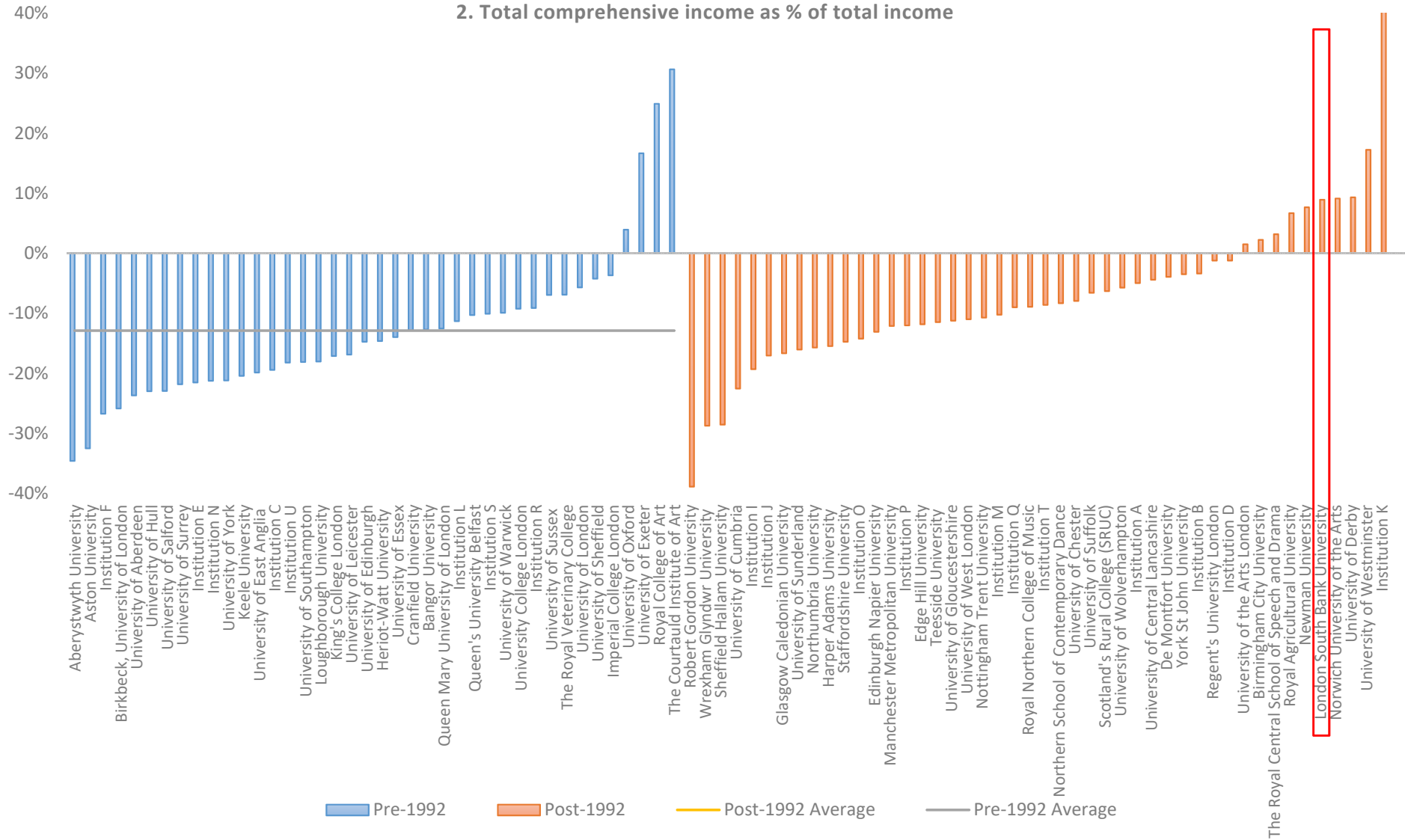
# Income Measures

1. Sources of income by % – post-1992 institutions



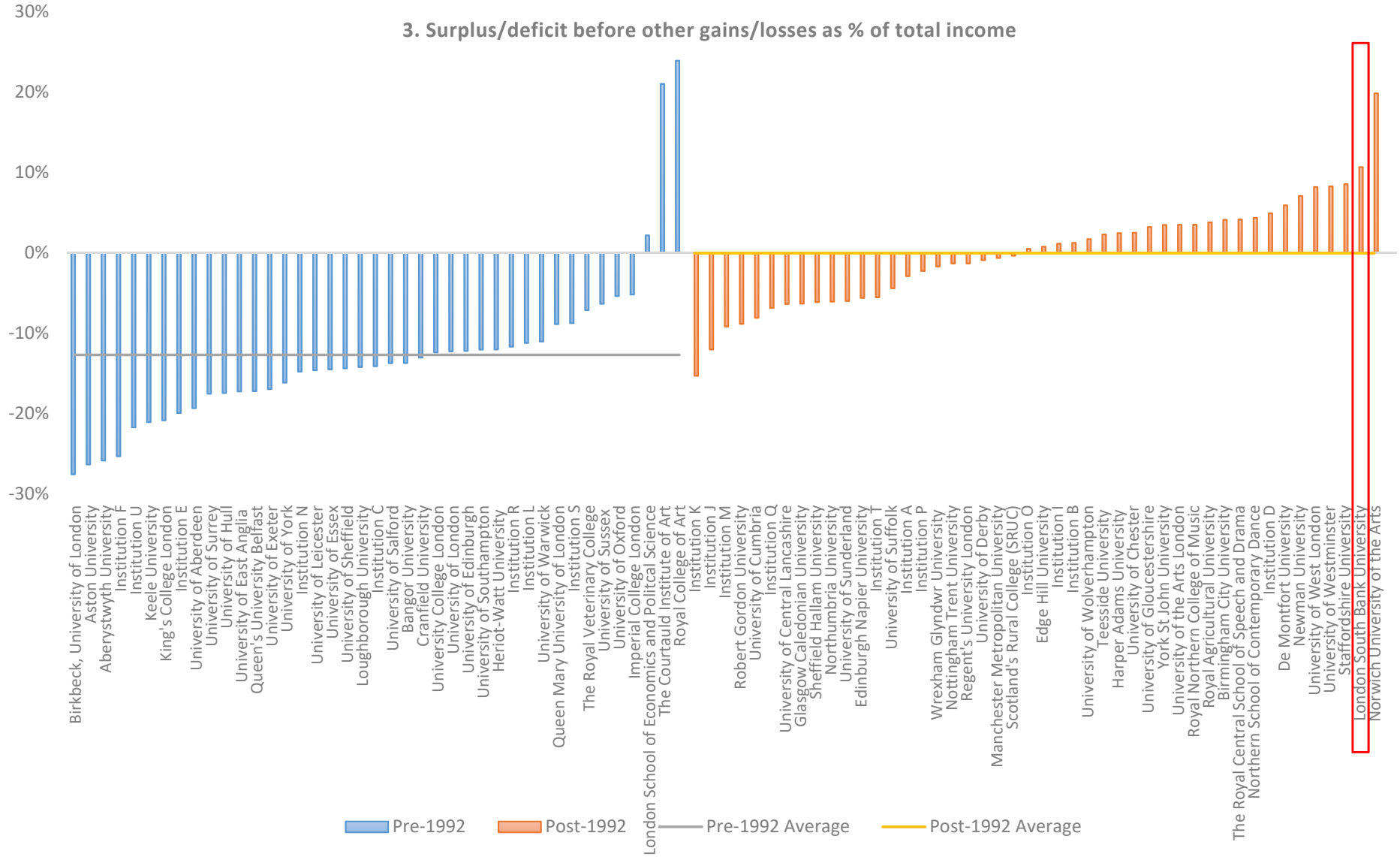
# Income Measures

## 2. Total comprehensive income as % of total income



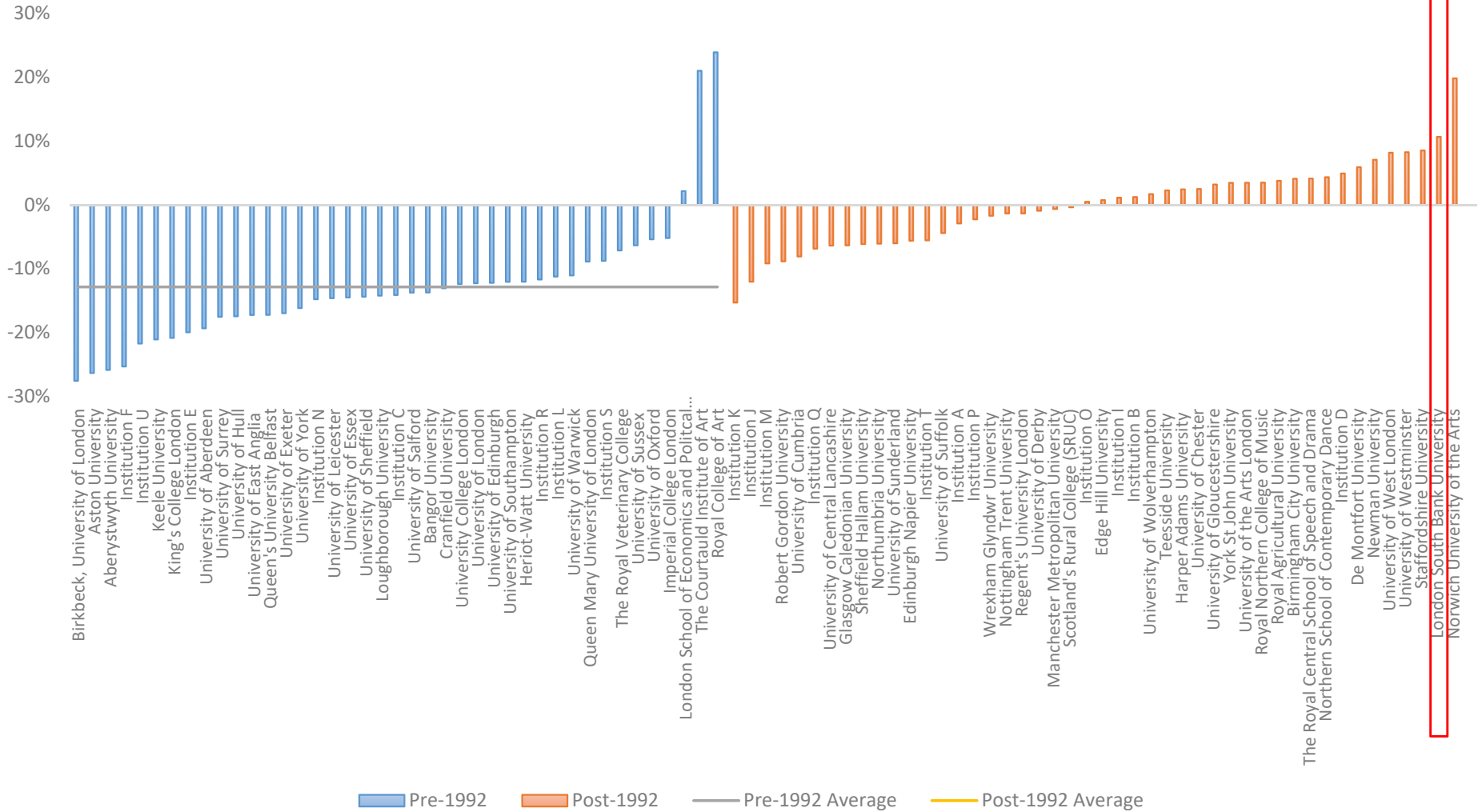
# Income Measures

### 3. Surplus/deficit before other gains/losses as % of total income



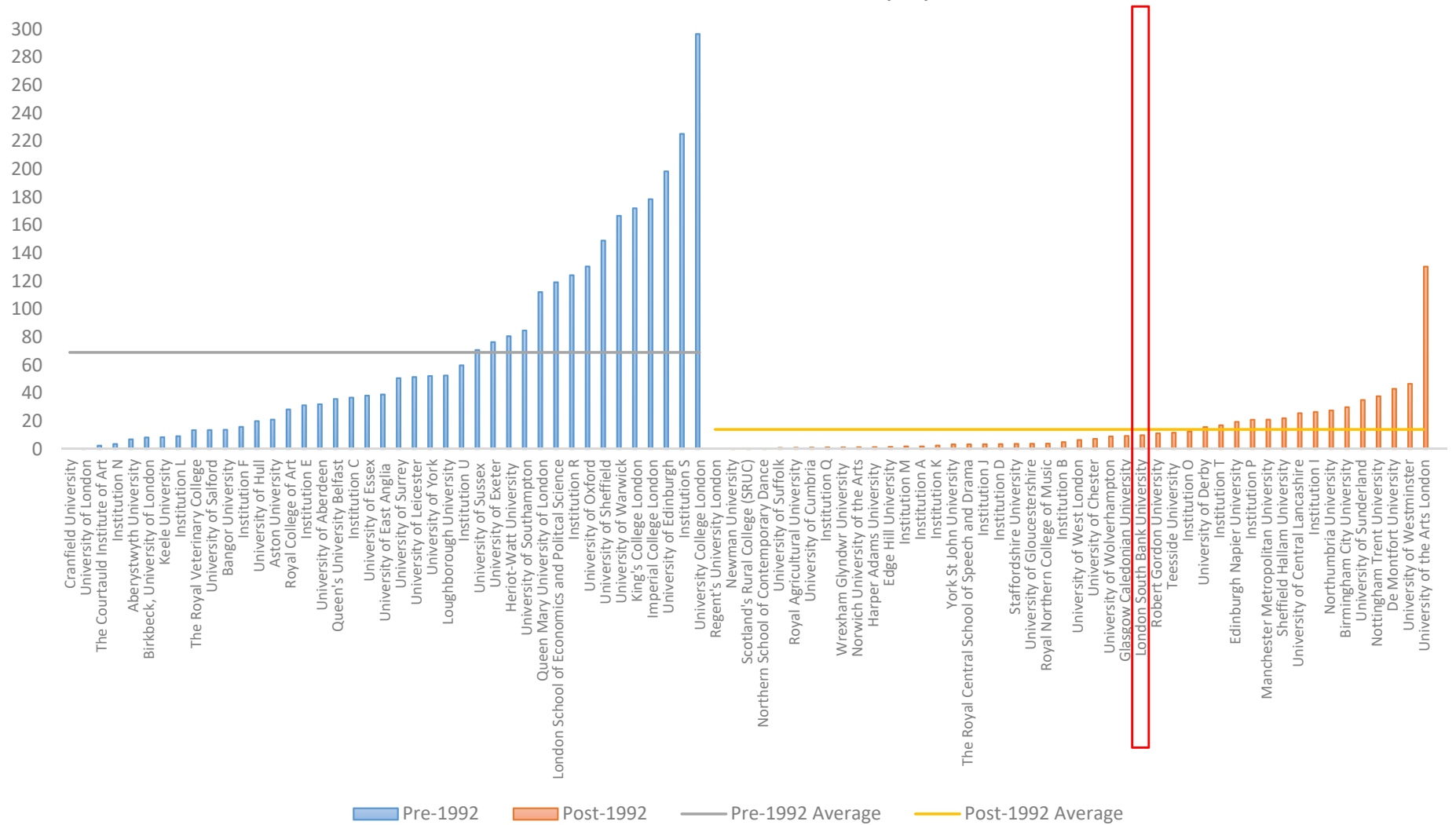
# Income Measures

4. Movement in surplus/(deficit) before other gains/losses as a % of total income



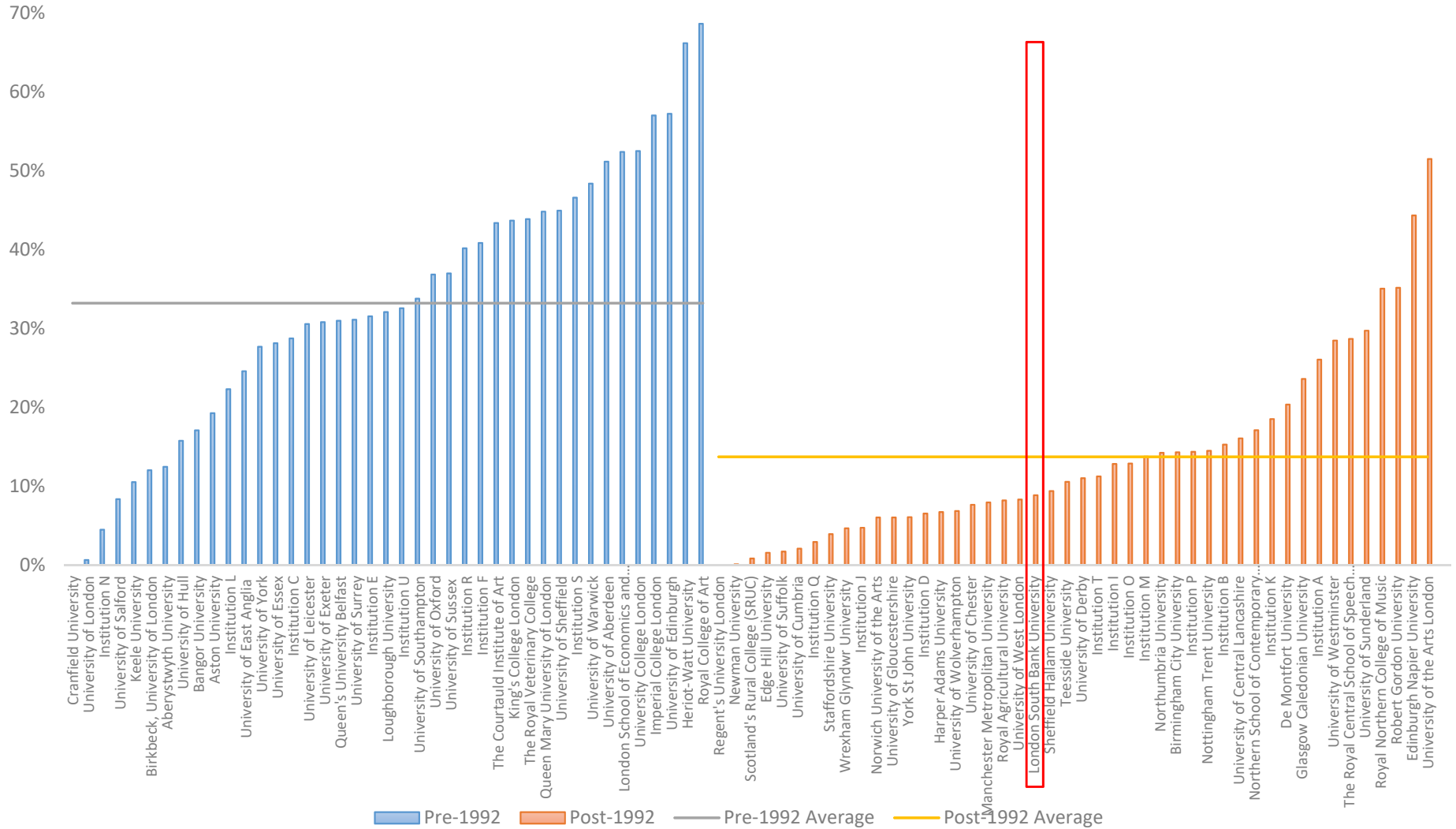
# Income Measures

5. Total of non-EU tuition fees (£m)



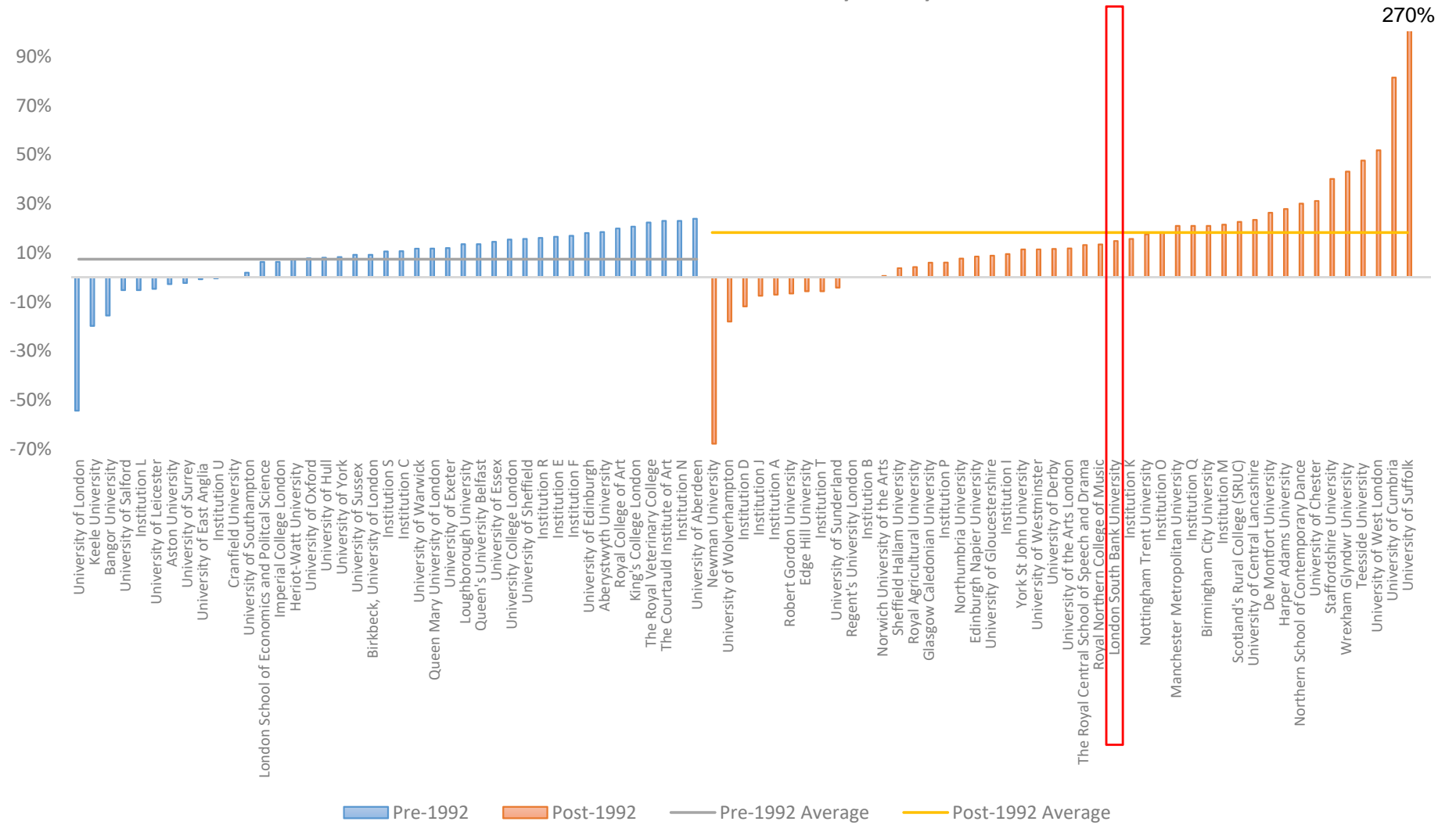
# Income Measures

6. Non-EU tuition fees as a % of tuition fees



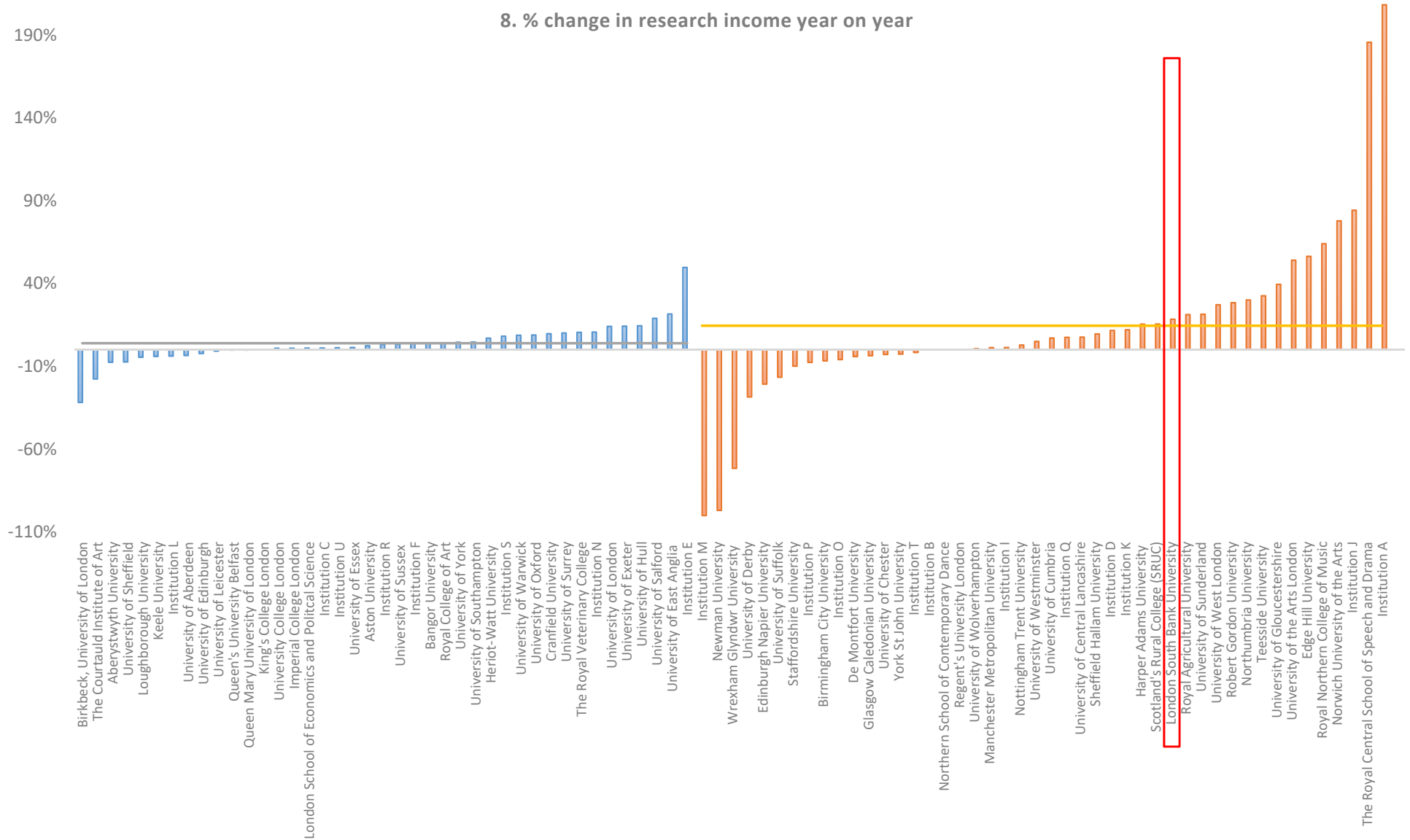
# Income Measures

## 7. Movement in non-EU tuition fees year on year



# Income Measures

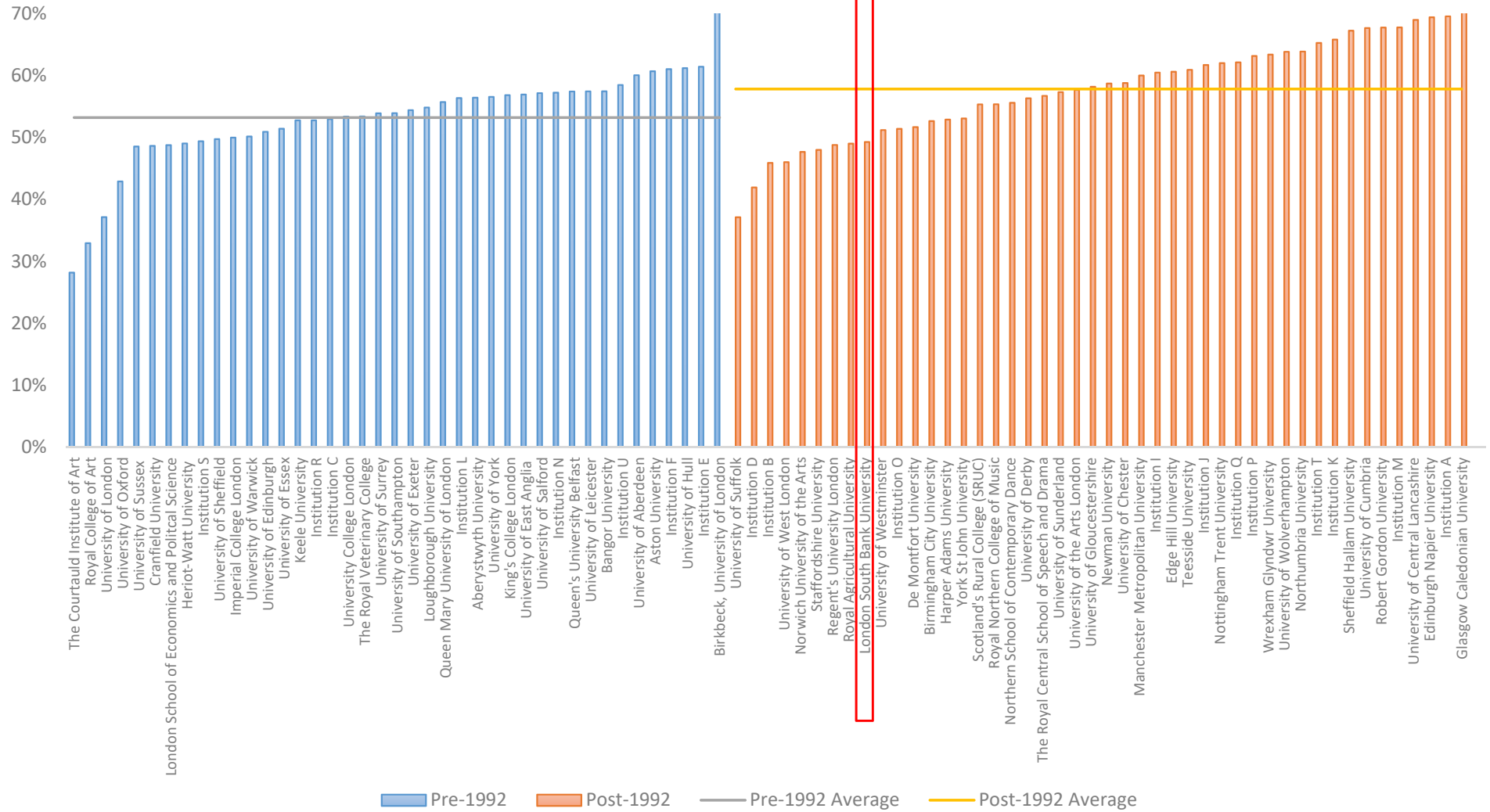
8. % change in research income year on year





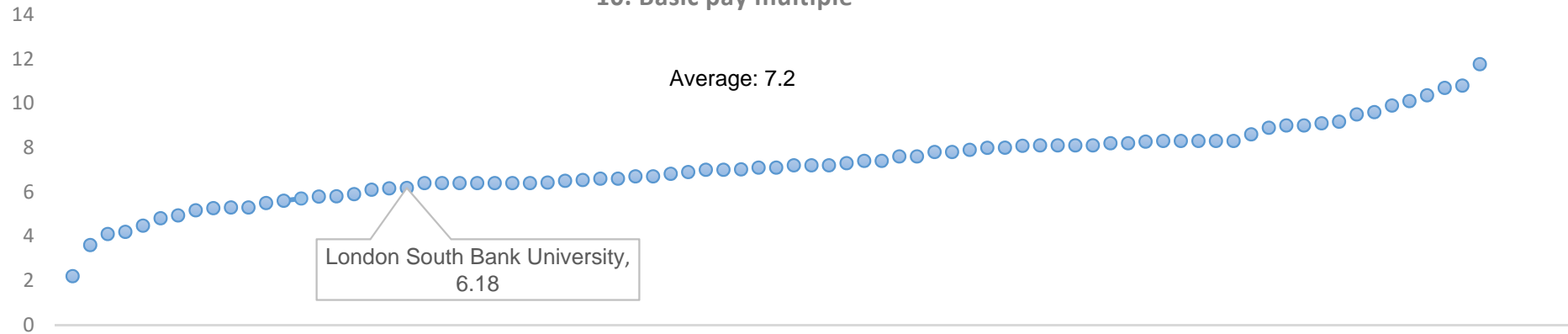
# Staff Measures

9. Staff costs\* as a % of total income

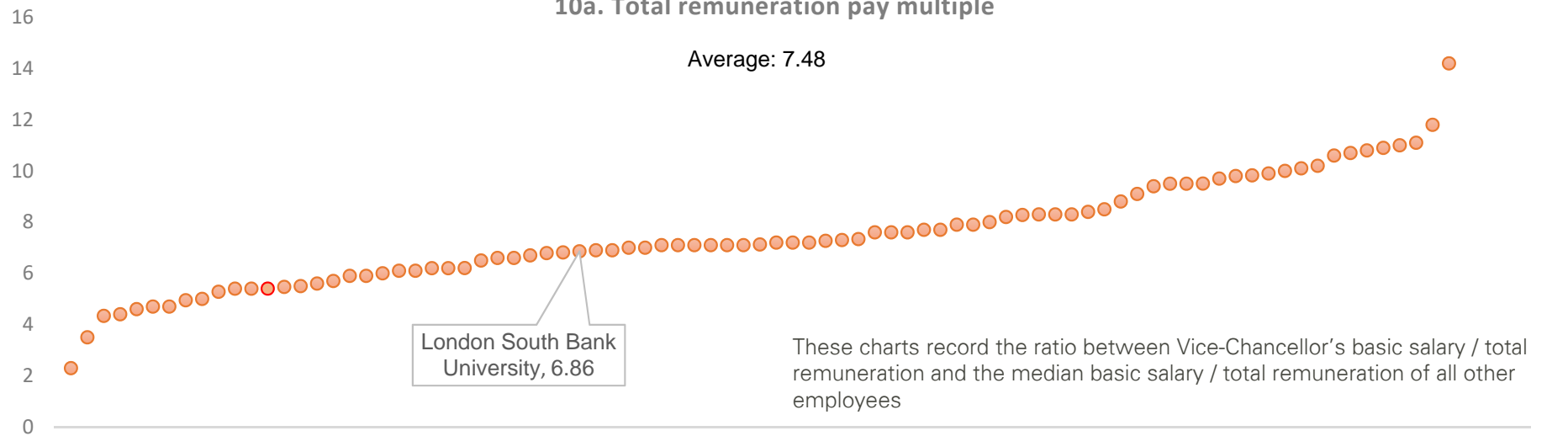


# Staff Measures

10. Basic pay multiple

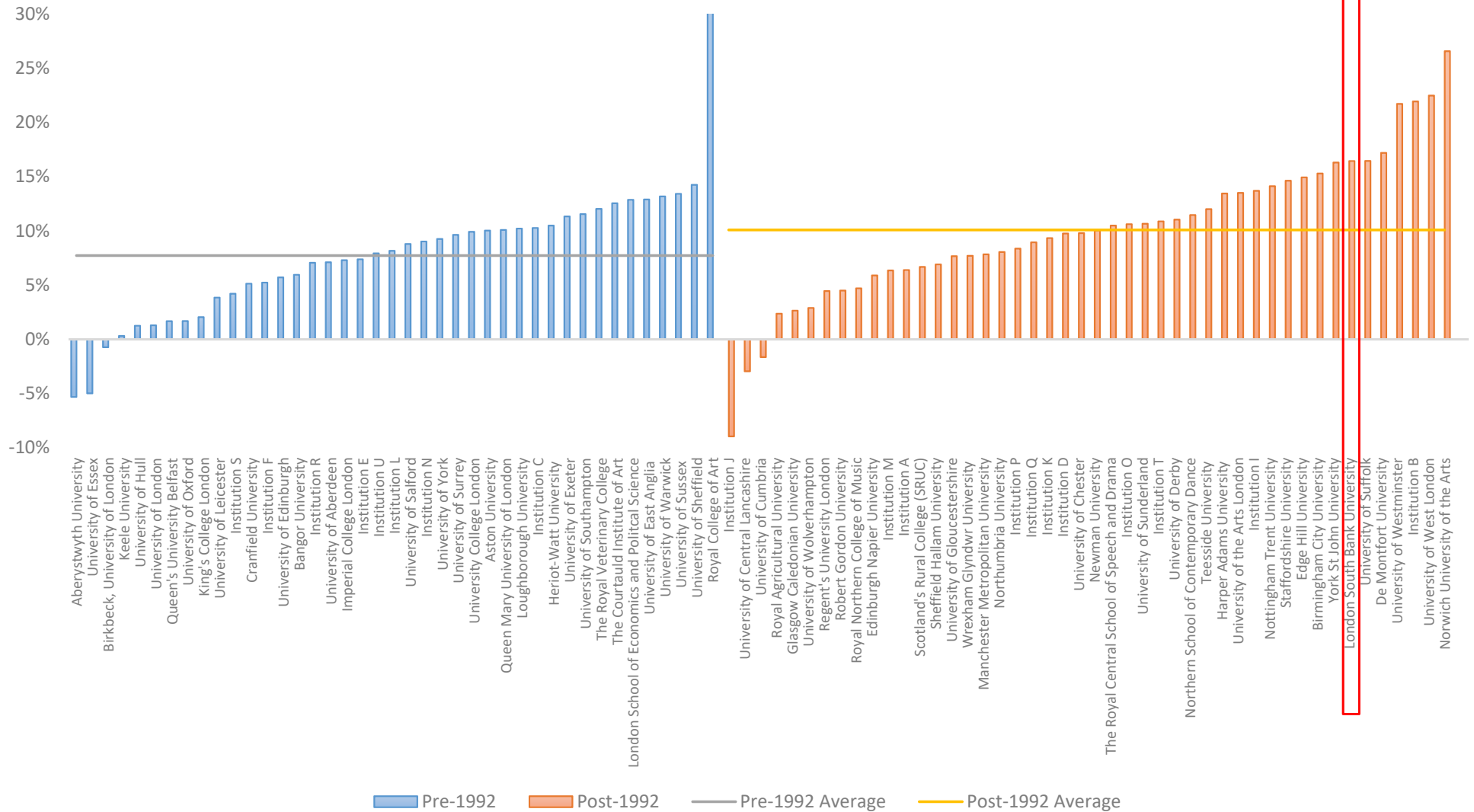


10a. Total remuneration pay multiple



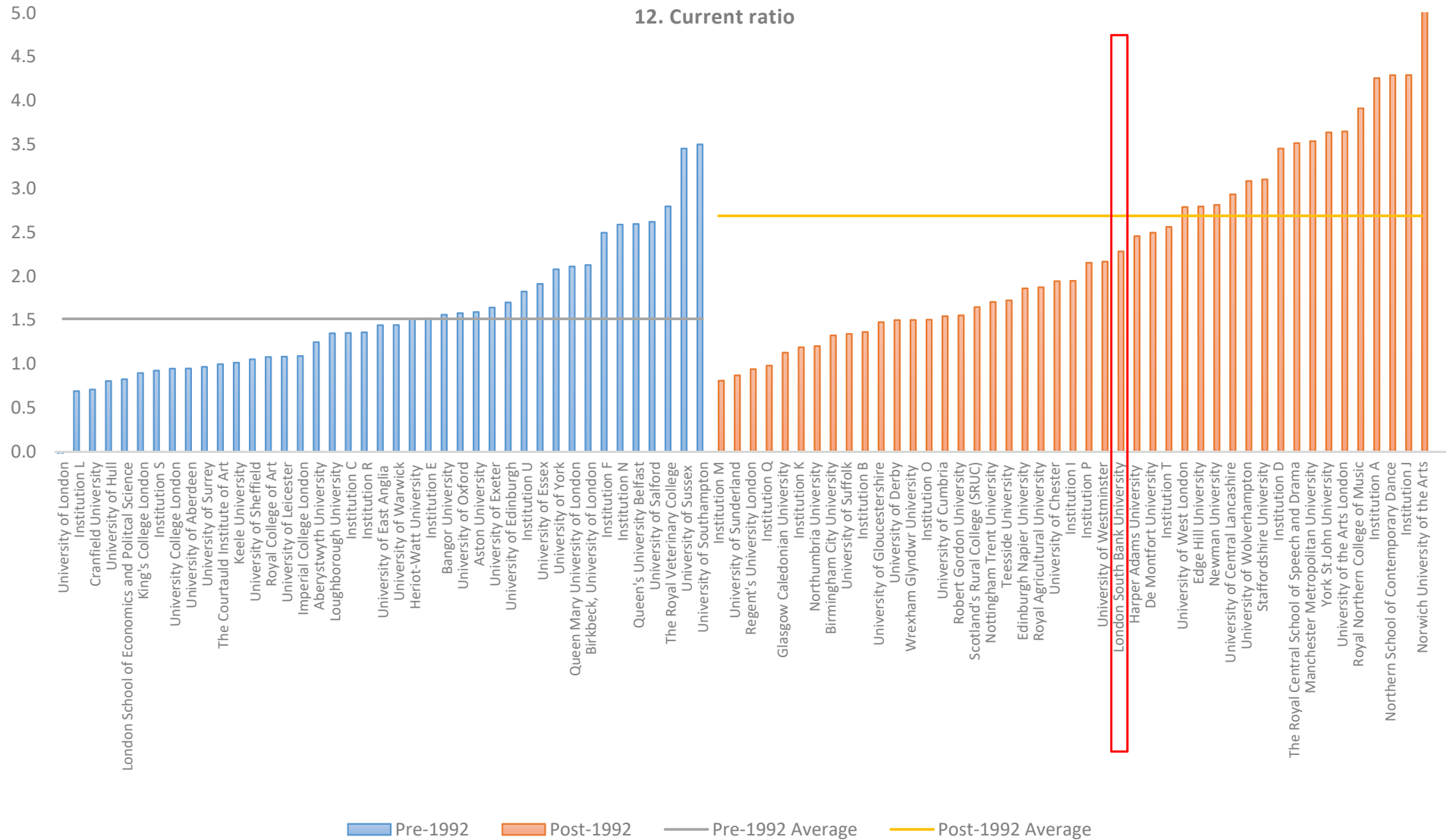
# Balance Sheet and Cash Flow Measures

## 11. Operating cash flow as % of total income



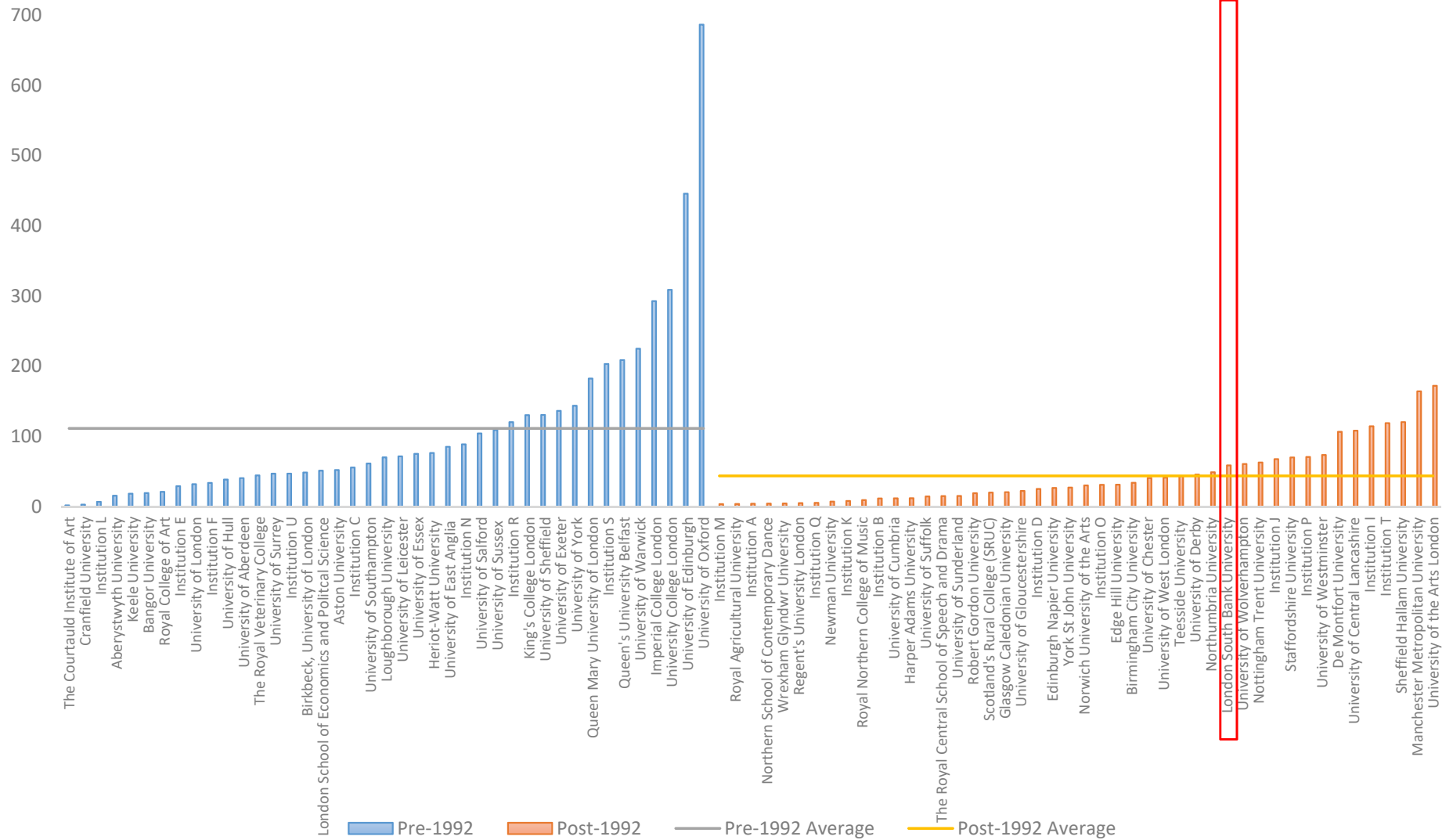
# Balance Sheet and Cash Flow Measures

12. Current ratio



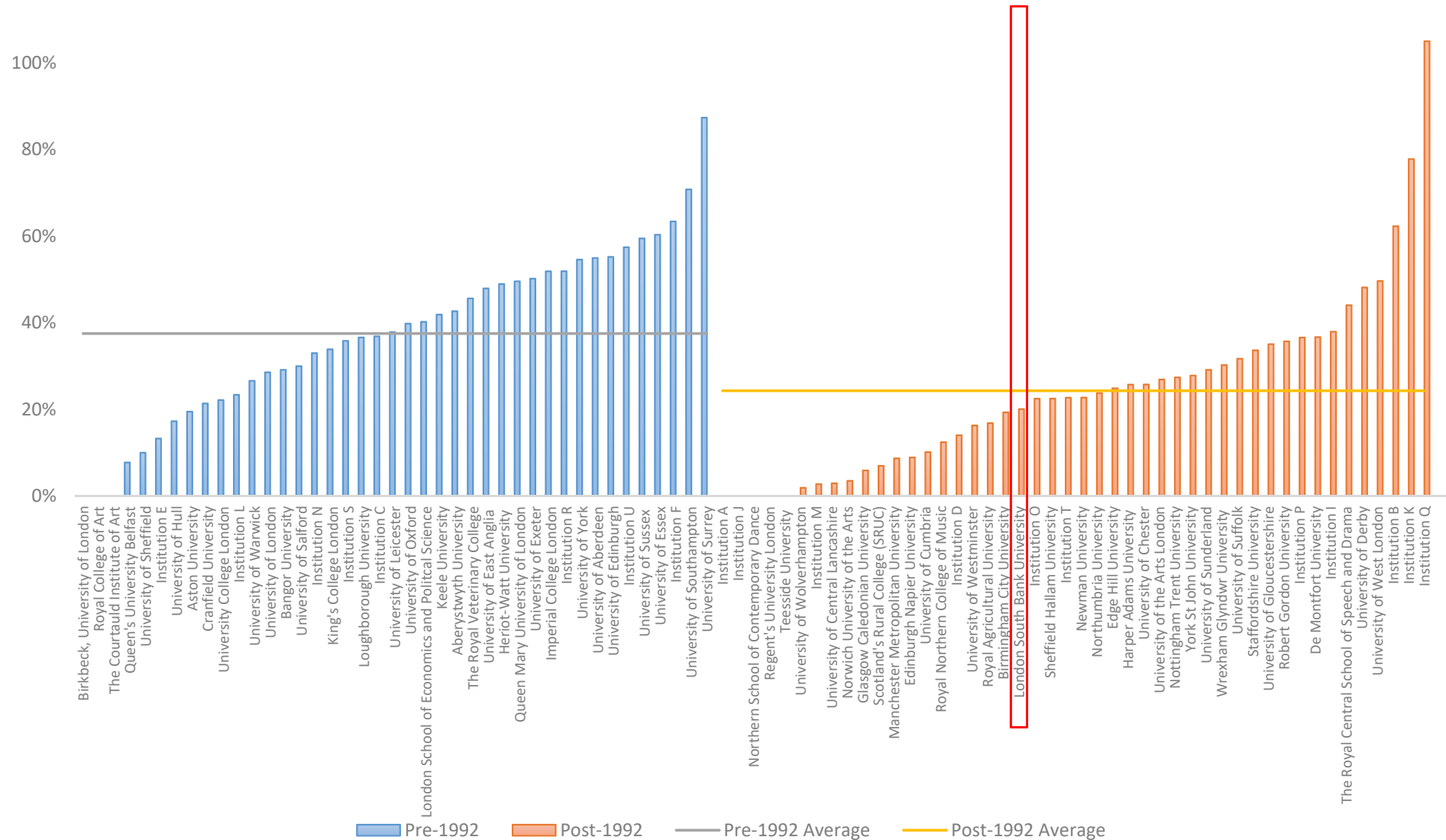
# Balance Sheet and Cash Flow Measures

### 13. Cash & short-term investments (£m)



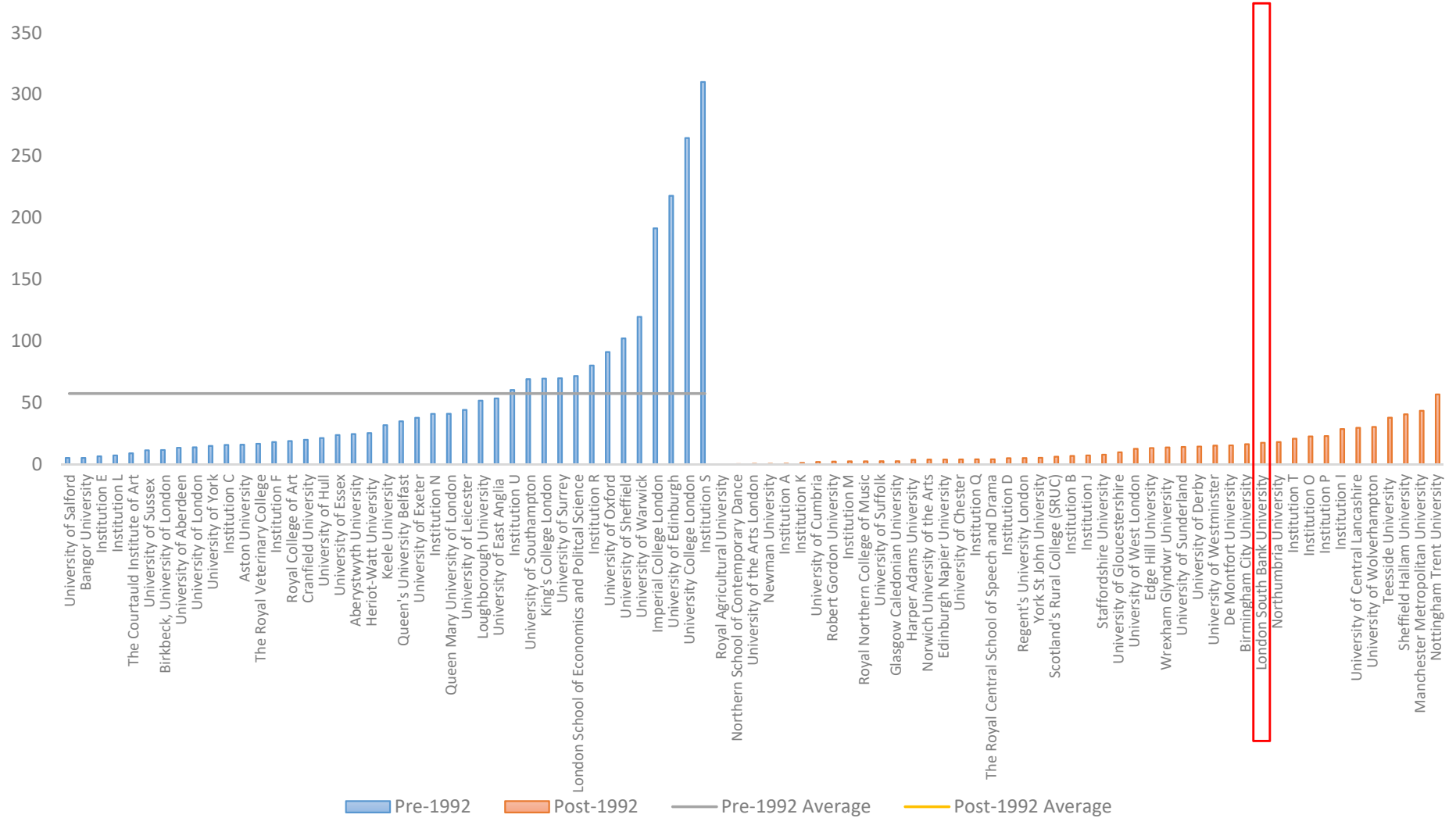
# Balance Sheet and Cash Flow Measures

14. External borrowing as % of total income



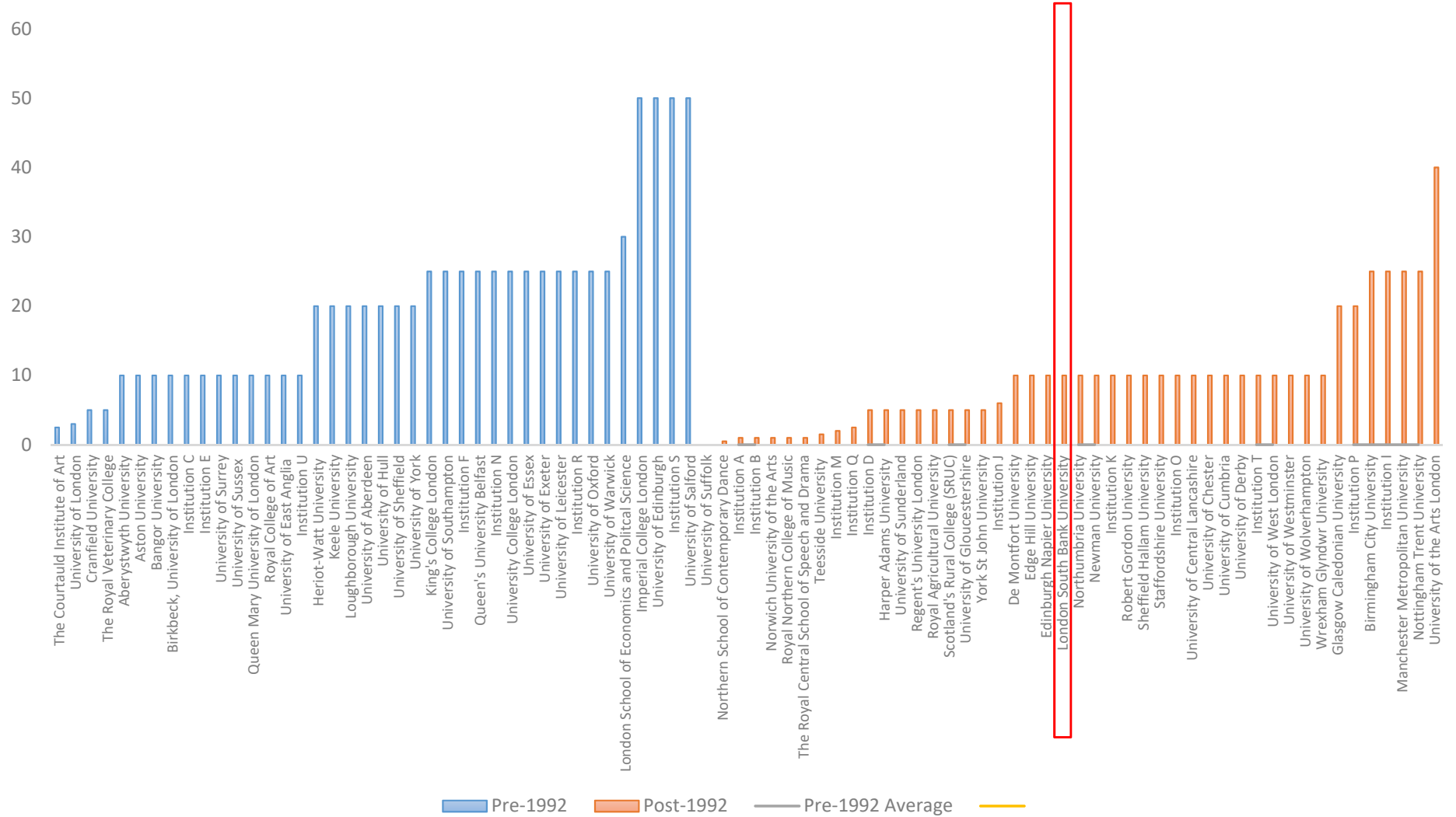
# Balance Sheet and Cash Flow Measures

15. Capital expenditure (£m)



# Balance Sheet and Cash Flow Measures

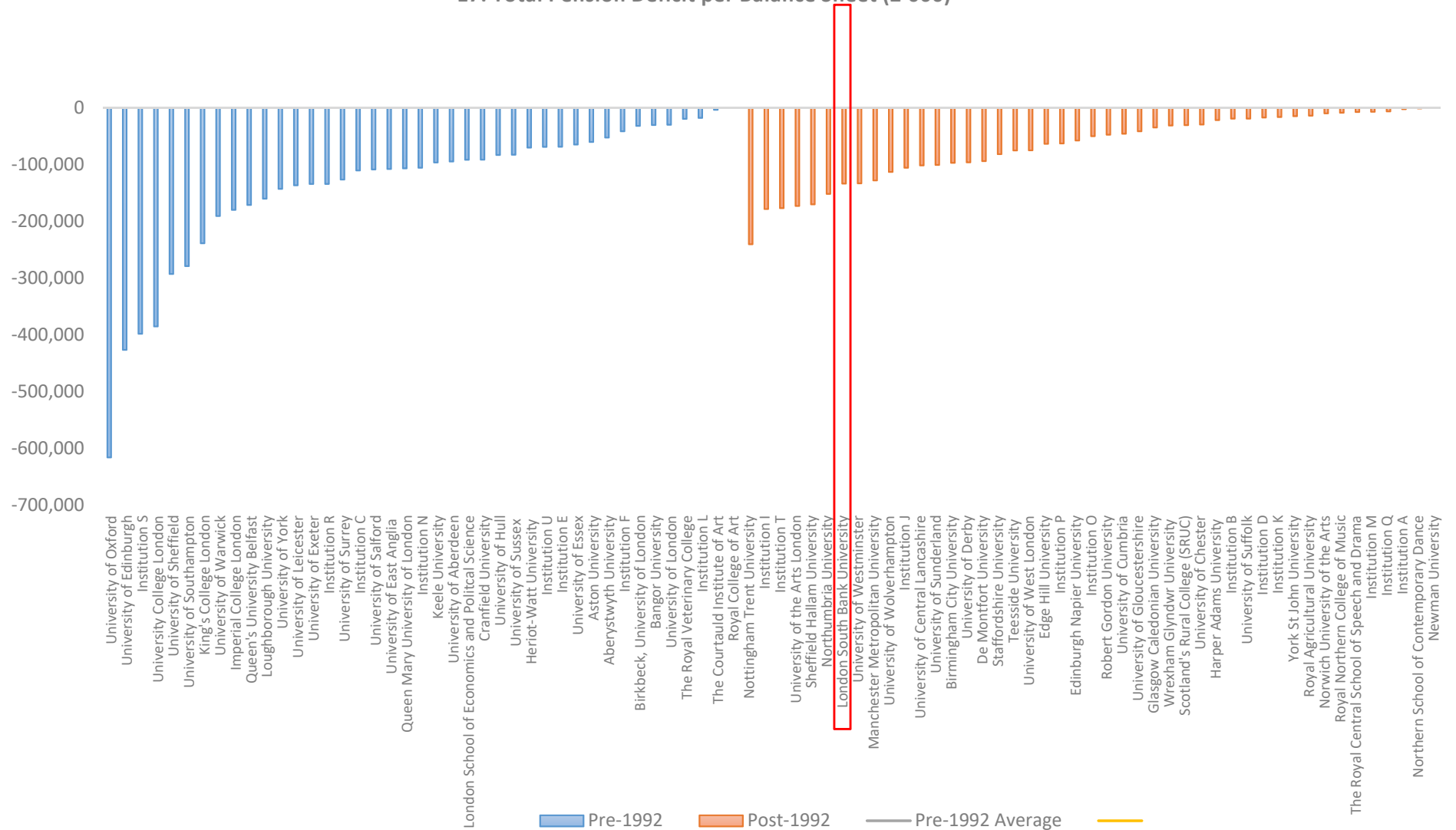
16. Capitalisation thresholds (£'000)





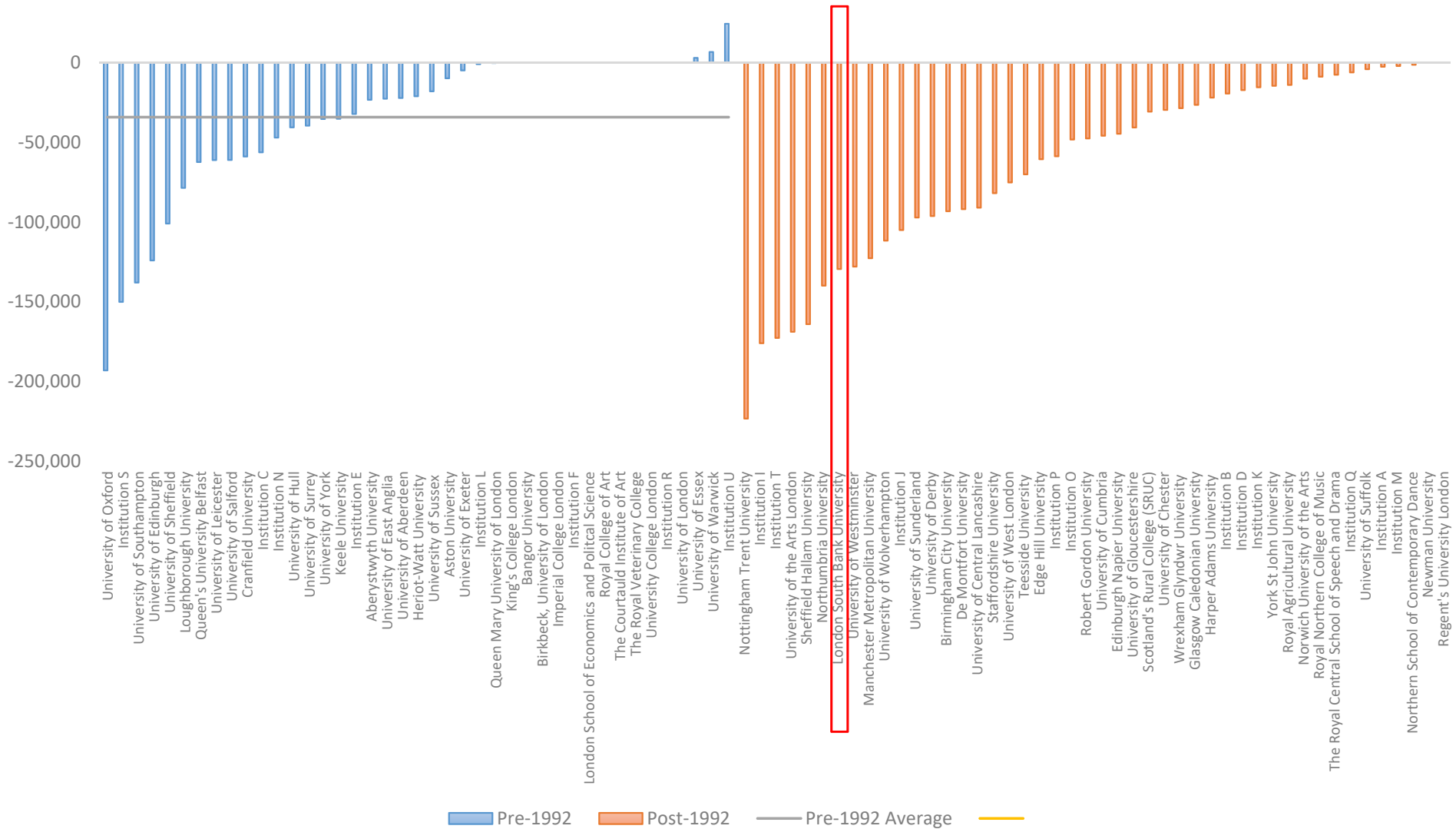
# Pension Measures

17. Total Pension Deficit per Balance Sheet (£'000)



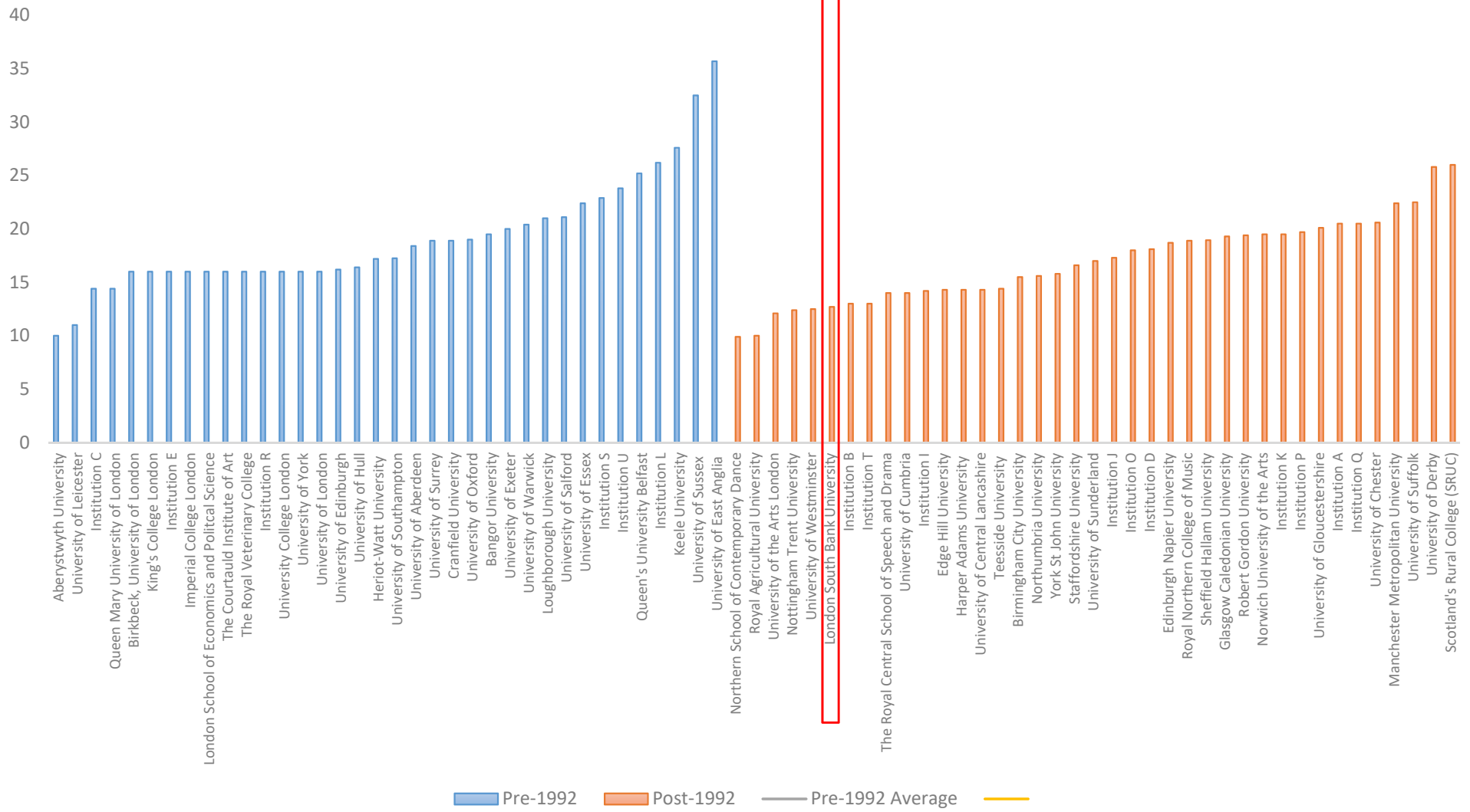
# Pension Measures

18. LGPS/Own Pension Scheme Deficit/Surplus per Balance Sheet (£'000)



# Pension Measures

19. LGPS/Own Pension Scheme Contribution Rate (%)





The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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	CONFIDENTIAL
Paper title:	Board and governance best practice following CUC discussion (Spring 2020)
Board/Committee:	Board of Governors
Date of meeting:	21 May 2020
Author(s):	Michael Broadway, Deputy University Secretary
Sponsor(s):	James Stevenson, Group Secretary
Purpose:	For Information
Recommendation:	The Board is requested to note the update on governance best practice

## **Executive summary**

This action plan for LSBU has been drafted following the Office for Students investigation into a higher education institution in 2019. The majority of actions prescribed for that institution are already carried out by LSBU or are in progress.

The Board is requested to note the actions detailed in the plan.

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## Board and governance best practice following CUC discussion (Spring 2020)

Action		Already in place?	Required action for LSBU?	Action owner	Status
1.	<b>Governor recruitment</b>				
1.1	Shortlisting and interviews conducted by members of the University's Nominations Committee (except Staff and Student Governors)	Y	N/A	N/A	Complete
1.2	Use of skills matrix	Y	Introduce governor self-assessment of skills	Sec	In progress
1.3	Succession planning of Board of Governors' membership	Y	N/A	N/A	Complete
1.4	In line with sector best practice (based on CUC guidance)	Y	N/A	N/A	Complete
1.5	Terms limited [2 x four years normally]	Y	N/A	N/A	Complete
2.	<b>Conflicts of interest</b>				
2.1	Enhanced processes around declaration of conflicts of interest and robust due diligence	Y (due diligence prior to appointment)	N/A	N/A	Complete
2.2	Request potential conflicts of interest on annual basis	Y	N/A	N/A	Complete
2.3	Governors to notify clerk should circumstances change at any point during the year	Y	N/A	N/A	Complete
2.4	Introduce a formal 'fit and proper persons' test	Y	N/A	N/A	Complete
2.5	Include Companies House check for directorships	Y	N/A	N/A	Complete
2.6	Public Register of Interest	Y	N/A	N/A	Complete
2.7	Extend to include University's Executive and Senior Leadership	Y (Gov Team cover Board and Exec)	N/A	N/A	Complete
3.	<b>Effectiveness and relationships</b>				
3.1	Executive members regularly invited to Board meetings to provide updates and raise areas of concern	Y (to present proposals)	N/A	N/A	Complete

Action	Already in place?	Required action for LSBU?	Action owner	Status
3.2 360 degree appraisals for: <ul style="list-style-type: none"> <li>• Board</li>   <li>• Executive members</li> </ul>	 N    N	Although not formal 360 degree, a constructive dialogue is held annually between the Chair and each independent governor. Similarly, the Vice Chair formally appraises the Chair in consultation with the Board.  Formal institutional appraisal process well-established, with annual performance rating linked to bonus and all overseen by RemCo.  The VC is annually formally appraised by the Chair. For other members of the Executive, the VC is the appraiser. Objectives are set and documented.	 Chair    VC	 Complete    Complete
3.3	Chair to conduct formal appraisals with Governors, to include objective-setting in line with sector best practice	Annual conversation	Chair	Next round of appraisals summer 2020.



	Action	Already in place?	Required action for LSBU?	Action owner	Status
3.4	Regular independently-led Board effectiveness reviews	Y	N/A	N/A	CUC code already followed – full B.E.R. every 4 years, last in 2019.
3.5	Greater level of staff representation – elected academic staff representative and elected professional services staff representative on the Board	N/A	No	N/A	Number of staff governors is in line with sector average for modern universities <sup>1</sup> .
4.	<b>Induction and training</b>				
4.1	Develop and circulate Governor handbook as part of induction process. To include relevant governance documents, policies & procedures, contact details and OfS Regulatory Framework	Y – induction pack as part of letter of appointment. Induction meetings with members of Exec set up for all new governors	N/A	N/A	Complete
4.2	Executive members to also receive copy of OfS Regulatory Framework	N – available online	Review Exec induction programme, to include overview of regulatory environment (including OfS).	Director of POD	In progress
4.3	Mandatory requirement for Governors to attend external AdvanceHE Governor induction training	N	N/A	Sec	Full internal induction in place – governors encouraged to attend external induction training (but not mandatory)

<sup>1</sup> Advance HE Governance Effectiveness Review, Leicester De Montfort, April 2020, p16

	<b>Action</b>	<b>Already in place?</b>	<b>Required action for LSBU?</b>	<b>Action owner</b>	<b>Status</b>
5.	<b>Speak-up Policy</b>				
5.1	Review whistleblowing/speak-up policy in line with sector best-practice	Y	N/A	N/A	Complete - draft reviewed by Audit Ctte Feb 2020
5.2	Training and pro-active communications to take place to ensure staff & Governors are fully aware of policy	N	To do as part of implementation of new policy	Gov	In progress
5.3	Network of whistleblowing champions in each directorate/faculty	N	N/A	N/A	Refresh comms for speak up
5.4	FPR/Audit Committees to be informed of numbers, and details, of whistleblowing enquiries and grievance/disciplinary cases every six months	Y – speak up report to each AC meeting	Add grievance/disciplinary overview to strategic POD report to FPR every 6 months	Director of POD	Complete
6	<b>Feedback and transparency</b>				
6.1	Confidential online feedback portal for staff to anonymously submit their views on any matters relating to LSBU	Y – staff engagement & pulse surveys	N/A	N/A	Complete
6.2	Confidential 'listening sessions' for Executive members to gather face-to-face feedback from staff	N	Review visibility and profile of exec members	Director of POD	In progress
6.3	Student Voice forum held by VC and other appropriate Exec member in the Students' Union to gain direct student feedback and answer any questions	Y	N/A	N/A	VC meets 1-2-1 with SU President. CCO in regular contact with SU leadership. SU President and sabbatical officers come formally to every meeting of Student Experience Committee.
6.4	Surgery sessions for any member of staff to raise any issue directly with the VC	Y	N/A	N/A	Continuing the Conversation sessions offered to all staff which

Action	Already in place?	Required action for LSBU?	Action owner	Status
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					have Q&A. VC holds regular meetings with staff and visits departments, plus staff conferences.
6.5	Minutes of Executive meetings to be published internally to enhance transparency	N	N/A	N/A	No plans to implement this as commercially sensitive
6.6	Publish Remuneration Committee's terms of reference on University website	Y	N/A	N/A	Complete
6.7	Publish main policies for senior staff remuneration on the University website	Y	N/A	N/A	Complete
6.8	Full minutes of Board's decisions to be kept and published with redactions kept to a minimum	Y	N/A	N/A	Complete

7	<b>Standing Orders/Articles</b>				
7.1	Standing Orders to clearly define Board's role in dealing with internal grievances and disciplinary matters	N	HR policy matter, not for Standing Orders. Governors may be part of appeal panel.	N/A	N/A
7.2	Define Board's role in disciplinary matters relating to Vice Chancellor and other senior staff, with suitable routes for escalation	Y – set out in standing orders	Review standing orders to clarify roles	Gov	In progress
7.3	Standing Orders to be included in Governor handbook	Y	N/A	N/A	Complete
7.4	Standing Orders to be published on University website	Y	N/A	N/A	Complete
7.5	Review University's Instrument and Articles of Government to ensure they provide the Board with a fit for purpose framework for remit and decision-making	Y	N/A	N/A	LSBU articles last reviewed in 2014 – will be reviewed again following finalisation of group arrangements

	<b>Action</b>	<b>Already in place?</b>	<b>Required action for LSBU?</b>	<b>Action owner</b>	<b>Status</b>
8	<b>Audit</b>				
8.1	Internal and external auditors to attend all meetings of Audit Committee	Y	N/A	N/A	Complete
8.2	Internal and external auditors to have regular scheduled meetings with relevant Governors in the absence of University officers, enabling them to raise any risks or concerns	Y – private meeting with members of the audit committee before each meeting	N/A	N/A	Complete
8.3	Auditors to have regular access to University’s Accountable Officer	Y – VC attends Audit Ctte	N/A	N/A	Complete
8.4	Contact details of Chair to be shared with internal auditors to enable a dialogue as required, and any issues with functioning of Audit Committee to be raised directly	Y	N/A	N/A	Complete
9	<b>Miscellaneous</b>				
9.1	Governors not allowed to undertake paid consultancy for University	Y – covered in articles on conflicts	N/A	N/A	Complete
9.2	Adopt an Ethics Code which all students, staff, governors and those acting on the University’s behalf will be expected to adhere to.	Y – LSBU Values developed	N/A	N/A	Complete
9.3	Review line management arrangements for the Clerk to the Board to ensure Clerk’s independence	Clerk reports to Chair on governance matters	N/A	N/A	Complete
9.4	Comply with requirements of the OfS Regulatory Advice 9: Accounts Direction	Y	N/A	N/A	Complete

	<b>Action</b>	<b>Already in place?</b>	<b>Required action for LSBU?</b>	<b>Action owner</b>	<b>Status</b>
9.5	Institute Ethics Committee to take lead role in University-wide ethics issues	N	Develop assurance framework for ethics (how the LSBU value of integrity is translated in practice) and report annually	Sec	In progress
9.6	Put system in place to have oversight of any future submissions made in response to an OfS requirement for information	WIP	Compliance with OfS conditions of registration under review. Updates planned for GARC meeting in June 2020.	Sec	In progress

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